

**NYE-DT 23**

## Resignation not Linked to Upcoming Suriname Well Result

Apache's stock underperformed this morning (down ~5.5% vs. XOP up ~1%) on investor speculation that a SVP's resignation (See [Link](#)) is linked to an upcoming unsuccessful Suriname Maka-1 exploration well in Block 58. We do not believe the departure is linked to results of the well as it does not appear that the well has reached its target formation yet. Faron Thibodeaux is the SVP in charge of Suriname while the departed SVP was a part of the team that discovered Alpine, which has been been disappointing with investors given the weak returns due to the high gas nature.

We anticipate Apache will soon signal a strategic shift away from Alpine High and toward higher oil cut regions such as the Midland Basin and Egypt, though we are unlikely to see full 2020 guidance. We will look for color surrounding the company's ongoing seismic shoot in the Western Desert in APA's Egypt position, multiple development pads in the Midland Basin, and a timing update on the first Suriname Block 58 well on the upcoming earnings release.

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**Buy**

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Price Target: 32.00

Price: \$23.23

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SEE PAGE 2 FOR REQUIRED DISCLOSURE INFORMATION

Page 1

## Valuation and Risks

### Valuation

Like all our other E&Ps under coverage, we estimate the value of a company using an enterprise value to EBITDA basis though we also consider net asset value. We forecast a price target of \$32 derived from a 2020 price target multiple of 5.6x (~4.6x peer group average) applied to our 2020E EBITDA of \$3,961mm (\$4,282mm Street consensus).

### Risk Factors

- An increase/decrease in oil and/or natural gas prices may positively/adversely affect the business, financial condition, or results of operations for APA.
- The ability to contract for drilling rigs, frac crews, and other oilfield services at reasonable costs.
- Geopolitical risk given material production out of Egypt.
- International pricing risk given Brent/Egypt production, large shifts in between U.S. and international pricing could have positive or negative impacts on APA earnings.

### Analyst Certification

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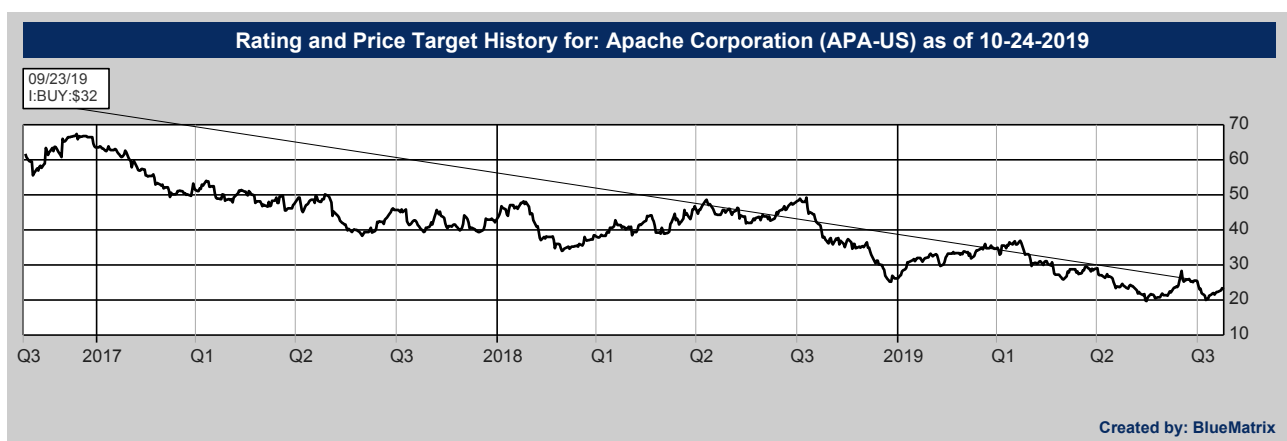
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